



City Councilmember

# Carl DeMaio

News Release

## Million Dollar Payouts and Six-Figure Allowances Found in City Pension System

*DeMaio Releases Report Listing Top Pension Benefits Paid in 2008*

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SAN DIEGO – On the same day that the city released figures showing a jump in the city's pension deficit to \$2 billion, City Councilmember Carl DeMaio released a report showing million dollar pension payouts and six-figure retirements being made in the city's financially-troubled pension system.

DeMaio's report details the top 100 retirement allowances paid by the city pension system in 2008. The report also reveals the dollar value of the additional lump-sum payouts made under the controversial DROP program that has allowed city workers to "double dip" to bank retirement payouts at 8% compound interest for five years while continuing to draw a city paycheck.

"San Diego taxpayers are being asked to raise taxes to bailout the city's pension system, but we see these outrageous million dollar payouts and six figure retirement allowances. Excessive benefits not only waste the taxpayers' money, but threaten the retirement security of rank-and-file city workers. We must reform the city's pension system once and for all," DeMaio said.

Among the highlights of the report:

- **Highest Annual Allowances:** The highest annual allowance was **\$165,870** paid to a former deputy city manager. The report also reveals 86 of the top 100 pensions paid in 2008 were for \$100,000 or more.

This city manager also receives a second pension from the city – called SPSP – wherein she was able to contribute up to 6.05% of her salary annually and receive a match from the taxpayers. Assuming average market returns and the lowest contribution rate, her SPSP account would have at least \$484,000 – and as much as \$969,000 -- in funds today.

- **"Million Dollar Circle:"** DeMaio's report uncovers five individuals who received \$1 million lump-sum payouts in the DROP program – and an additional three city managers who would receive \$1 million payouts when their SPSP 401(k) balances were added to the DROP figures. A total of **1774** individuals have more than **\$333 million** in funds in DROP accounts – all earning a guaranteed 7.75% interest currently even though the pension system suffered significant investment losses last year.

### **"Million Dollar Circle"** Largest DROP Payments Made

Asst. City Attorney	\$1,118,992
Personnel Director	\$1,024,144
Assistant City Manager	\$1,012,379
Deputy City Attorney	\$1,003,111
Fire Battalion Chief	\$1,003,071

*\*Names have been redacted and replaced with highest position title held.*

*\*\*Figures do not include SPSP cash balances which would increase membership in the Million Dollar Circle to include the former Department Director, Investment Officer, and a Deputy City Attorney.*

- **Growth in Pension Payment and Pension Liability:** The City of San Diego's pension payment has increased **386%** since FY2000 – jumping from \$30 million to \$162 million last year. Factoring in recent investment losses the city's pension deficit now stands at \$2 billion and the annual pension payment could spike up to \$190-220 million in FY2011.

To begin the process of reform, DeMaio has called on the pension board to vote next week to reduce the DROP interest rate from the current 7.75% guaranteed rate-of-return to an indexed rate of about 4%. This reform alone would save **\$3.5 million** of the ARC and **\$25-45 million** off the UAAL in FY 2011 – and would reduce the overall unfunded pension liability by roughly **\$250 million** by FY 2012.

“The public needs to know that city employees are receiving 8 percent guaranteed, risk-free investment returns on DROP accounts at the taxpayers’ expense,” DeMaio commented. “The pension board has the ability to reform this right now and it is my hope that they will act at their board meeting next week.” The item is on the agenda for consideration at the Friday, February 20<sup>th</sup> meeting.

The report is the third of four DeMaio's office is releasing on excessive labor costs, salaries and benefits in city government.

### Top 15 Annual Retirement Allowances

CY 2008

Deputy City Manager	\$165,870
Personnel Director	\$164,962
Deputy City Attorney	\$158,626
Asst. City Manager	\$158,595
Deputy City Manager	\$157,715
Asst. Police Chief	\$147,541
Deputy City Attorney	\$145,875
Department Director	\$142,663
Deputy City Attorney	\$137,454
Program Manager	\$137,317
Department Director	\$136,553
Police Chief	\$135,617
Department Director	\$134,914
Asst. Fire Chief	\$133,078
Asst. Police Chief	\$131,319

*\*Names have been redacted and replaced with highest position title held.*

City unions have been quick to blast the reports – blindly labeling them as misleading. “There is no surprise that the unions want to shoot the messenger on this, but the data is irrefutable as it comes directly from the city's payroll system. As city leaders talk of service cuts and tax increases, I am shining a light on how our existing tax dollars are being spent and suggesting ways we can save money. The taxpayers deserve no less.”

Last month in advance of labor negotiations beginning, DeMaio released a proposal to balance the city's budget by freezing city employee salaries and reducing benefits. The proposal would save up to \$70 million annually.

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